

Neighborhood Stabilization Program

Property Acquisition Checklist

	1. <u>Research Target Areas</u> – Determine trends in prices, numbers of foreclosures and other factors to determine whether specific micro-markets are suitable for NSP program purposes (resale, rental, demolition, land banking etc.) and to determine a range of offer prices.
	2. <u>Complete Target Areas Environmental Reviews</u> – Good practice: Complete Tier One Environmental Assessment of target areas—most efficiently done prior to investigating specific properties. Site-specific reviews are required at a later stage but can be completed much faster if Tier One’s are done.
	3. <u>Investigate properties for sale in NSP target areas</u> – a. Seek property lists from REO holders, brokers and others. b. Verify properties are in target areas and appear to be suitable for acquisition/rehab, demolition, land-banking or redevelopment. c. Properties must be foreclosed upon, vacant or abandoned. “Short sale” properties are not considered by NSP to be foreclosed upon. d. Good practice: Depending on your program, inform seller or broker in writing (e.g. email) that you are interested only in vacant properties and that if occupied properties are included on lists, properties should be identified as vacant or occupied. File record of this informal notice.
	4. <u>Ensure compliance with tenant protection requirements of the Recovery Act</u> – The Recovery Act established protections for bona-fide tenants of residential properties foreclosed upon on or after February 17, 2009. These requirements directly affect initial successors in interest (ISII) who take title to the property through foreclosure (including lenders and others who purchase property at foreclosure sales). If the grantee knows that the ISII did not comply with the NSP tenant protections and vacated the property contrary to NSP requirements, abandon the transaction. NSP funds cannot be used for such properties. Additional information and guidance on this topic is available on the NSP website at: http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoodspg/pdf/tenant_protections_guidance_090909.pdf Note: A more recent law, the Protecting Tenants at Foreclosure Act of 2009 (PTAF) provides similar protections for tenants facing eviction as a result of foreclosure on virtually all mortgaged rental properties in the U.S. Local laws may provide a greater level of protection.
	5. <u>Send tenant information notice(s)</u> – (NSP required) If you discover any occupied properties—either identified on the list or discovered during inspection—and choose to pursue the purchase of any occupied property, you are required to send occupants who may be displaced a “General Informational Notice” (GIN) as required by the Uniform Relocation Act (URA). A GIN informs such persons that they may be displaced that they may be eligible for relocation assistance and payments under the URA (and/or in some cases section 104(d) relocation assistance) . GINs should be provided to property occupants early in the property acquisition process and prior to making an offer. Additional information and resources on URA & 104(d) relocation requirements is available on the NSP Acquisition & Relocation Resources web page at: http://www.hud.gov/offices/cpd/library/relocation/nsp/index.cfm
	6. <u>Conduct Relocation Survey</u> - (NSP required) For properties where relocation of occupants will be required, it is critical to r accurate information on the occupants must be obtained to adequately plan for their relocation and budget for relocation costs. The time and costs involved in relocation can be significant and should be considered during the feasibility analysis process. HUD’s Planning and Budgeting Relocation Costs publication is a useful resource and is available at: http://www.hud.gov/offices/cpd/library/relocation/publications/1045.pdf
	7. <u>Obtain a preliminary appraisal</u> – Some state laws require government entities and their agents (e.g. developers, subgrantees) to obtain full appraisals before making an offer. Even if this is not the case, it is a good practice to obtain an electronic or opinion appraisal to get an independent estimate of the market value of the property. <i>See Step15 below about the timing/ purpose of NSP-required appraisals.</i>

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	<p>8. <u>Complete rehab property inspections</u> – Best practices: Hire/use an experienced inspector to complete interior and exterior site inspections prior to making conditional offers on properties. Good practices:</p> <ol style="list-style-type: none"> Produce a complete work write-up and cost estimate if time permits. Otherwise provide a rough scope of work and written rehab estimate. Take photos of the building exterior, interior and any areas needing site work. Provide a written, signed statement that the property is vacant or is occupied.
	<p>9.. <u>Review and file inspection reports</u> – The inspection reports may be needed later to confirm that the property was vacant or occupied, for purposes of bargaining on the price, or for other reasons.</p>
	<p>10. <u>Complete feasibility analysis</u> -</p> <ol style="list-style-type: none"> For acquisition/rehab programs, determine if the asking price, projected soft costs, plus the cost of rehab is within your program’s investment parameters; Determine age of properties and prepare to conduct lead hazard inspections on pre-1978 properties. If demolishing, land banking or redeveloping a property with NSP funds, analyze suitability of the properties for those NSP-eligible activities. If relocation (permanent or temporary) is required, consider the associated time and costs as determined from the relocation survey.
	<p>11. <u>Make pre-offer decisions</u> - Determine your program’s price targets (thresholds) for the properties being investigated. Some sellers request that you react to their pricing at this stage.</p>
	<p>12. <u>Draft standard option or purchase contract addendum</u> – With NSP you must use an option or a conditional purchase contract. HUD environmental regulations refer to the option format but HUD has stated that it will not prohibit the use of conditional purchase contracts. In many locales, industry- and regulator-approved standard purchase agreements are commonly used. Your attorney should draft an option agreement or a purchase contract addendum that includes the following:</p> <ol style="list-style-type: none"> (NSP Required) Completing an acceptable environmental review. For HUD- recommended language, see the “Environmental Review” section of frequently-asked questions on the NSP website. (May be NSP Required) Completing a historic preservation review by the state historic preservation officers (SHPO), if required by the SHPO. (NSP Required) Obtaining a full appraisal that indicates the contract price is at least 1% below as-is appraised value. (Good practice: obtain after-rehab appraisal from same appraiser to establish the sale price of the rehabbed home.) (NSP Required) Paying only a nominal non-refundable fee, if any, to avoid the “choice limiting action” that is prohibited by environmental review regulations. (Optional) Seller agreeing to sign, prior to closing, a Seller Certification signifying that seller has complied with tenant protection laws. Obtaining good and marketable title.
	<p>13. <u>Execute conditional purchase option/agreement</u> - Make certain that the contract prices and conditions match your requirements, and that your attorney has reviewed contract and conditions. (note: A Notice of Voluntary Acquisition must be provided to the property owner at the time of your purchase offer (see below).</p>
	<p>14. <u>Send Notice of Voluntary Acquisition</u> – (NSP required) This informational notice must be sent to the seller in order to comply with the Uniform Relocation Act.</p>
	<p>15. <u>Complete appraisal(s)</u> – (NSP required, only for foreclosed properties) If not completed earlier, order full appraisal(s) for any foreclosed-upon properties to determine that the sale price(s) is at least 1% below market value. If the grantee uses eminent domain a full appraisal is required for NSP and URA compliance. (note: acquisitions under threat and use of eminent domain cannot be considered voluntary and as a result are subject to the full acquisition requirements of the URA (see URA regulations @ 49 CFR 24 Subpart B – Real Property Acquisition). The appraisal must not be more than 60 days old at the time of making the final offer. <i>NSP does not require appraisals for vacant or abandoned properties, nor to close on properties</i></p>

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	16. <u>Complete title work</u> –Obtain a title commitment from a title company or an opinion of title from an attorney (which one depends upon prevailing laws and practices) attesting to the property having good and marketable title.
	17. <u>Complete site-specific environmental reviews</u> – (NSP required) Complete Assessment described in item #2 above, if not completed previously. Site-specific reviews address issues such as: historic preservation reviews (by SHPOs), floodplain clearance, and in some cases coastal zone management and other issues. Conduct review internally or outsource the review.
	18. <u>Prepare for closing</u> - The following items need to be addressed prior to closing: a. Review environmental report(s) and appraisal(s) to determine if the properties are acceptable for purchase under NSP requirements. b. For bulk purchases, make a list of properties, if any, that should be deleted from the purchase because they do not meet requirements. c. Request advance draw of NSP funds through DRGR, when you are certain of the final purchase price and any associated closing costs. d. Obtain property insurance binder. e. For properties where relocation of occupants is required, prepare for relocation. Preparations include but are not limited to locating decent, safe and sanitary comparable replacement housing, preparing notices of relocation eligibility (URA and 104(d) where applicable) including determination of replacement housing payments and moving payments for eligible displaced persons. A person's eligibility for relocation assistance generally occurs on the date of "initiation of negotiations" (ION) as defined by the URA or applicable Federal-agency regulations. Notices of Eligibility for Relocation Assistance should be provided to eligible persons on the date of ION or promptly thereafter. More information and resources are available on HUD's Acquisition & Relocation web site at: www.hud.gov/relocation
	20. <u>Close property purchase</u> – Make sure to keep records documenting the status of foreclosed, abandoned properties and blighted properties to verify NSP eligibility.
	21. <u>Secure properties</u> – Make sure properties are properly secured by board-ups, sturdy doors, locks, video surveillance, patrols, etc.